

October 15, 2007

Honorable King County Councilmembers
And the People of King County

I am pleased to transmit my proposed 2008 budget for King County government to the Metropolitan King County Council for its consideration.

For the third consecutive year, we have been able to balance the Current Expense (CX) Fund budget without resorting to targeted program and service level reductions. But the outlook for the longer term CX budget, starting in 2009, portends a return to targeted program and service level reductions.

Over the course of the four year period from 2002 through 2005, King County faced severe financial challenges. You are all familiar with what was required to meet the financial crisis King County faced in balancing our CX budget: \$74.4 million in budget reductions, the generation of \$38.2 million in new revenues, and savings of \$19.1 million in lower salary, benefit and retirement costs. Those challenges were met because together we established and kept faith with sound financial policies. We invested in programs that would enable us to meet our responsibilities to the public with fewer resources. We looked critically at program expansions to determine whether they met the needs and priorities of our citizens. While the experience of those years of budget reductions was difficult, it brought us to a position where for three consecutive years starting in 2006 we did not have to resort to service level and budget reductions.

Looking back, while we brought the structural deficit under control in the short term, I warned that “the structural deficit has not been permanently solved.” We are now facing the financial storm clouds that I said were coming if proposed annexations didn’t happen and if all counties didn’t get new tools from the State Legislature so they could keep up with inflation and answer the need for new revenues. As I said when delivering the 2006 Executive Proposed Budget, “To make sure that era never returns, we must remain vigilant and keep controlling our costs. We must reject the temptation to live beyond our means.”

While the same can be said of the 2008 budget I present to you today, our forecast for 2009 indicates that we will again be faced with new financial challenges, similar to those we faced from 2002 through 2005. To avoid the kinds of devastating program and service level reductions we faced in the early years of this decade, we must start now to prepare for what we will confront later.

The 2008 budget I submit to you today is one that exercises the kind of fiscal conservatism and restraint we practiced from 2002 through 2005. If we don't do that, we face deeper and more severe reductions in 2009. In order to balance the 2009 budget and meet our reserves policies, we will be faced with cutting expenditures or increasing revenues by almost \$25 million. We will also need to reduce the CX reserves that we carry forward from 2008 by \$25 million. To the extent we use those reserves in 2008, the reductions we will face in 2009 will have to be all that much larger.

This is a challenge we must all face together. The forecast deficits we see in the future are real. They can be solved and we can demonstrate once again that together we will be fiscally prudent. That approach paid dividends for us in the past, when the national rating agencies recognized that we are up to these challenges – and it remains true today. Following the actions we took in that period, the rating agencies raised the county's debt ratings – a rare event to begin with and certainly even rarer for a government that went through the kinds of reductions we made in the 2002 – 2005 period.

The total budget for King County government I present to you today totals \$4.82 billion. This represents an increase of 25 percent above the adopted 2007 budget level of \$3.86 billion. Direct comparisons of the 2007 adopted budget to 2008 proposed budget are difficult and can be misleading, however, because the 2008 Executive Proposed Budget includes a biennial operating and capital budget for the Transit Division. For example, seventy two percent of the total increase is the result of presenting to you Transit Division biennial budget. The operating budget, including debt service, for all county agencies increases from \$2.8 billion to \$3.6 billion in 2008. The Capital Improvement Program (CIP) shows an increase from \$1.067 billion to \$1.171 billion in 2008. Total authorized county employment, including full time equivalent and term limited temporary positions, will rise from 13,578 in 2007 to 14,187 in 2008, an increase of 4.5 percent. The largest increase in positions is in the Transit Division as Transit begins the service increases approved in Transit Now.

Investing in our Future

While my budget today challenges all of us to exercise fiscal prudence and follow our strong financial policies, we cannot allow that requirement to stop us from investing in the long term future of the county and meeting our infrastructure needs. Investment in that infrastructure is the foundation for our economic stability, our personal health and our quality of life. We must invest in the continuous process of rebuilding in order to secure a bright future for our families. The budget I present to you today enables us to prevent, rather than react to crises. It calls for a 2008 Capital Improvement Program of \$1.171 billion. The projects in my proposed budget will help safeguard our water quality, improve key transportation corridors and ensure that future growth can be accommodated. It includes \$454 million for the replacement of older buses and the addition of new buses to support growth in service.

Maintenance of our infrastructure is a basic responsibility of government. A thriving community with a strong economy and a high quality of life is possible only when we invest in our existing drainage systems, roads and bridges – the basic blood and bones of a vital community. It may not be exciting but it is essential to our basic well-being and is cost effective. These are the investments that communities must make to protect their infrastructure and preserve vital

services. As we work on the Mount Si and Tolt bridges and begin design of a new South Park bridge we continue our commitment to maintaining safe and reliable bridges and roads. If we are to avoid the types of disasters that have happened elsewhere in the nation, we must build and maintain a sound infrastructure.

Green Infrastructure

The 2008 budget continues the long standing commitment of King County to preserve open space and provide a trails program that is the best in the nation. For 2008 I am recommending committing over \$37 million to open space and trails projects from the REET 1 and 2, Conservation Futures, Open Space Non-Bond and Parks Expansion funds. The Parks Expansion fund is new this year, the result of the Parks Expansion Levy having been approved by the voters in the August 2007 primary election.

The focus of our investments in park system expansion will be on regional trails, back country trails and open space. Some of the significant projects proposed for funding in 2008 include the Burke Gilman Trail Redevelopment Project, East Lake Sammamish Trail Design and Overpass Project and Mount Peak Addition Project.

Implementing the Veteran's and Human Services Levy

The 2008 budget includes the programs to implement the Veterans' and Human Services Levy Service Improvement Plan. Funded by the Veteran's and Human Services levy approved by the voters in 2005, the levy provides approximately \$14 million annually to provide programs for veterans and their families and other people in need. The budget also provides \$11 million of one time capital funding to address the housing needs identified in the Service Improvement Plan. This funding comes from levy proceeds that were collected while the Service Improvement Plan and the procurement strategy were being developed.

Among other programs, the Veterans and Human Services Levy funds have the following procurement plans in process, which are expected to be implemented in 2008.

- PEARLS Program to increase access to behavioral health services for King County residents who are 55 years or older, live at home and are mildly depressed.
- Invest in Housing Stability Program to develop a countywide housing stability program for veterans and other persons who are at risk of homelessness.
- Strengthening Families at Risk - Prevention and Early Intervention Programs to expand the availability of programs that promote healthy early development through responsive, nurturing caregiver-child relationships and improve language and culturally-based access to services.
- Outreach and Engagement of Long-Term Homeless People to identify and house long-term homeless populations in south King County.
- King County Criminal Justice Initiatives to enhance the housing and supportive service programs for individuals with histories of long term homelessness.
- Capital, Services and Operating Funds for Permanent Housing to increase housing units for veterans and other persons in need.

The Children's Health Initiative

The 2008 budget I present to you today continues the county's commitment to addressing the fact that some 16,000 children in King County do not have health insurance and have limited access to basic health care services. As I stated last year, this is unacceptable. What is even more unacceptable is that almost half of these children are eligible for existing programs: Medicaid, State Children's Health Insurance Program (SCHIP) or Basic Health Plan coverage. With the recent debate in the nation's capitol on the future of SCHIP, one of the important health programs for children, the county's continued participation in this effort is more important now than ever.

Significant progress was made on this program during the 2007 implementing Phase 1 of this plan. We are on track to enroll 1,000 children by the end of the year. During Phase 1, low income children eligible for existing public health insurance programs are identified by a targeted access and outreach program. Outreach is conducted by teams comprised of a specialized application worker and contracted community health workers; each having extensive contacts within the targeted communities. Contracted community health workers work within their respective communities to identify low income families with uninsured children. The community health workers link these individuals with the application workers who assist them in enrolling in available insurance programs. This program is also making a small contribution to the county's healthcare funding crisis as many of these uninsured children are treated in our clinics currently. By providing access to insurance coverage the county will be able to maximize the available resources to treat these patients. Our goal is another 1,000 enrolled in 2008.

Transit Biennial Budget and Fare Increase

In conformance with Motion 12456, the 2008 budget I transmit to you today includes a biennial budget for all organizational units funded out of the Transit Fund. These include the Transit Operating, DOT Director's Office, Public Transportation Capital Program, Transit Revenue Vehicle Replacement and Public Transportation Construction Fund units.

In preparing the biennial budget, significant attention was paid to the development of key assumptions to be used to prepare a 2008/9 biennial budget. These assumptions include sales tax growth, fare revenue, diesel fuel prices and ridership assumptions as well as the assumptions for the various wage and salary related costs including cost of living allowance (COLA) and internal service and central rate costs. The assumptions made are detailed in the program plans pages of the proposed budget. The mid-biennial review in 2008 will focus on how these assumptions have changed and the impact any changes have on the services to be delivered by Transit and the DOT Director's Office.

The 2008/9 biennial budget provides for a significant increase in budgeted service hours by adding more than 170,000 annual hours.

The 2008/9 Executive Proposed Budget for Transit assumes fare increases of 25 cents across almost all categories of transit fares. Since the most recent fare increase in 2001, fare collections and sales tax revenues have not kept pace with inflation, especially in the areas of fuel and employee costs. The proposed fare increase will generate approximately \$8 million in 2008 and \$11.6 million in 2009 to support the preservation of current service and quality levels and bring

dependability, reliability and predictability to scheduled service. It will also bring fare revenue closer to King County Council policies for funding 25 percent of transit operating costs from operating revenues such as fares and advertising. The proposed fare increase will also bring Transit's fares more in line with those of other transit agencies. The proposed fare increase would become effective on March 1, 2008 for retail adult fares and July 1, 2008 for youth, senior and disabled, Access, UW UPass and FlexPasses.

The 2008/9 biennial budget for the Transit Division capital improvement program totals almost \$542.2 million. Significant projects for the biennium include funding for the acquisition of 40-Ft. Diesel and 60-Ft. Articulated Buses, the SR520 Urban Partnership Program, the South Kirkland Transit Oriented Development, the Ryerson Base Renovation, and the Bus Rapid Transit Corridor Initiative

Law, Safety and Justice

Law, safety and justice expenditures continue to consume the largest portion of the county's 2008 Executive Proposed Budget, representing over 70 percent of total Current Expense (CX) expenditures. Given the significant impact on the CX Fund and the outlook in future years of significant funding challenges for the CX Fund, it is more important than ever for criminal justice system members to continue to work together to ensure that law, safety and justice services are offered in a cost effective manner to provide safe and secure communities for the citizens of King County. The criminal justice function continues to make up a growing portion of the CX Fund and also a significant portion of the budgets of the cities that contract with King County for police, court and detention services. The need to identify opportunities to improve efficiency in provision of these services is constant for all criminal justice agencies.

The 2008 Proposed Budget includes a number of initiatives in law, safety and justice programs which are described below.

In the Department of Adult and Juvenile Detention (DAJD), the budget recognizes the need to manage overtime more effectively. As a result, DAJD completed development of a new Operations Forecast Model for use in developing the 2008 budget. The new model utilizes historical leave rates, required post and shift coverage, and special duty actual usage to determine the most cost effective combination of FTEs and overtime required for correction officer staffing in the adult jails. Based on 2008 forecasts of average daily population (ADP) and facility capacity, the budget includes the addition of 32 FTEs to bring correction officer staffing to the most cost effective level. When fully staffed, the program will also limit overtime.

The 2008 Executive Proposed Budget for the King County Sheriff (KCSO) includes requests to address a number of issues, some of which were addressed by the Sheriff's Blue Ribbon Panel in its 2006 report.

- The 2008 Executive Proposed Budget includes approximately \$1.9 million to support additional services to contract customers. These agencies include Sound Transit, Metro Transit, the City of Woodinville and the City of Shoreline. These additions reflect KCSO's success in leveraging its expertise to attract new customers and expand lines of business. The growth in contracts also increases the share of the Sheriff's budget

supported by contract revenue. Between 2007 and 2008, the share of the KCSO budget supported by contracts will increase from 39 to 41 percent.

- To address issues raised in the Blue Ribbon Panel Report, the 2008 Executive Proposed Budget supports the Sheriff's Office efforts to improve accountability by providing funding to reduce supervisory span of control through funding of eight new sergeants who will be assigned to Patrol, the King County Regional Intelligence Group, the Narcotics and Organized Crime Unit, the Civil Unit, and the Registered Sex Offender Unit.
- The 2008 Executive Proposed Budget also includes funding to support the creation of a gang suppression unit that will be based in Precinct 4. The unit will be responsible for the proactive suppression and enforcement of criminal street gangs, the provision of gang awareness classes to the department and the community, and the supervision of additional resources used to target areas with high levels of gang activity.
- The Sheriff's Office budget also includes reductions resulting from the decision by the citizens of West Hill and Lea Hill to annex to the City of Auburn. These annexations will reduce the Sheriff's Office workload in the unincorporated areas and the budget seeks to maximize savings from annexations while maintaining the current level of service within unincorporated King County. These reductions will help maintain fiscal stability in the coming years.
- Finally, the budget proposes to add a new sergeant to the Registered Sex Offender Unit. The addition of a supervisor reduces the span of control within this unit to a level that complies with the recommendations of the Blue Ribbon Panel. This addition increases the resources dedicated to monitoring sex offenders in the community.

Recognizing the importance of the prevention of domestic violence, the 2008 Proposed Budget for the Office of the Prosecuting Attorney adds Victim Advocates to assist in the filing of protection orders in the Protection Order Program.

Implementation of the 0.1% Percent Mental Illness and Drug Dependency Sales Tax

In 2005, recognizing the need for additional mental health and chemical dependency programs, the state legislature authorized counties to implement a one tenth of one percent sales tax to support new programs. The 2008 Executive Proposed Budget I submit to you today proposes establishing the sales tax to fund the programs outlined in the adopted Mental Illness and Drug Dependency Action Plan. That plan, adopted unanimously by the County Council on October 8, 2007, proposes additional treatment options for individuals with mental illness and drug dependency, as well as expanding current programs.

The proposed increase in the sales tax will generate revenues of approximately \$30 million in 2008 and \$54 million in 2009 and subsequent years. The strategies outlined in Phase III of the Mental Illness and Drug Dependency Action Plan address the needs for community based care, prevention programs targeted for youth, and jail and hospital diversion.

Implementation of the Flood Control Zone District

The 2008 Executive Proposed Budget includes a proposal to impose a countywide property tax levy in the amount of 10 cents per \$1,000 of assessed value to fund the King County Flood

Control Zone District (FCZD). The King County Council, acting as the Board of Supervisors for the FCZD, authorizes the levy and the District work plan.

By way of background, the county has taken a number of actions to move forward with addressing our flood control issues. In July of 2006, Ordinance 15550 declared our intent to create a FCZD. This action was followed in January, 2007, with Ordinance 15673 adopting the Flood Hazard Management Plan. In April 2007, the King County Council created the countywide FCZD to implement the King County Flood Hazard Management Plan and created the new FCZD Advisory Committee. The plan identified and recommended projects, programs, and policies to address the county's aging flood protection system. The plan and district provide a regional approach to addressing infrastructure needs required to protect public health and safety, regional economic centers, public and private properties, and vital transportation corridors. As we learned from New Orleans, it is far less expensive to rebuild our infrastructure than to rebuild entire communities after a disaster.

Over the course of the summer of 2007, the FCZD Advisory Committee, composed of 14 elected officials and one representative from the Unincorporated Area Councils, met and recommended a budget and work program based on a countywide levy of 10 cents per \$1,000 of assessed value. The 2008 Executive Proposed Budget for the FCZD implements those recommendations to generate approximately \$30 million annually to shore up our aging flood protection infrastructure. The 2008 Executive Proposed Budget is contingent upon approval of the district's work plan and recommended levy rate by the FCZD Board of Supervisors.

Implementation of the Recently Created Ferry District

The King County Council, in Ordinance 15739 adopted on April 20, 2007, created a ferry district in King County, with the King County Council comprising the governing body of the district. Since adoption of the ordinance, substantial work has been done by the Department of Transportation and the County Council to establish the framework for the district to operate within, the extent of the services the district will provide, and the funding mechanism(s) which will support the district's operating and capital needs. As the 2008 Executive Proposed Budget was being finalized, decisions on these important issues had not been completed and as a result the budget I present today does not include a budget for the district. It is anticipated that decisions will be reached soon and that a budget for the Ferry District and appropriate budget revisions for the King County budget will be ready for transmittal to the County Council on or about the week of November 1, 2007 for its consideration in adopting the 2008 King County Budget, the 2008 Ferry District Budget and the 2008 property tax levy.

Improvements to Solid Waste Facilities

The 2008 Executive Proposed Budget includes significant capital appropriation requests for the county's Department of Natural Resources and Parks (DNRP) Solid Waste Division. Those appropriations provide the funding for capital projects which would implement the adopted King County Comprehensive Solid Waste Management Plan. Debt issuance in 2008 and future years would be used in part to finance this ambitious program to address the long term needs of the county in meeting its solid waste disposal needs. Funding for transfer station projects will significantly improve current operations and facilities in an efficient transition to waste export.

Funding is included in the 2008 Executive Proposed Budget for the siting, design and construction of four Solid Waste transfer facilities and for new area development at the Cedar Hills landfill.

Rural Services Initiative

As the rural portion of King County transitions from being firmly rooted in agriculture and forestry to an area with a diverse economy and population, the Rural Services Initiative is designed to enhance the county's ability to meet the goals of rural residents. The Initiative mission statement is: To sustain vibrant rural communities while protecting rural lands, rural character and rural lifestyle." The Initiative creates a new framework for serving rural King County based on enhanced interdepartmental cooperation and includes the following elements:

- A rural sub-cabinet to serve as the leadership team for Executive rural programs and initiatives
- A rural services manager who will be accountable for coordinating rural service delivery across departments
- A team of geographically based community liaisons who are knowledgeable about and responsive to the interests and concerns of different parts of the rural area
- The continuation of successful interagency teams, and the creation of a new interagency rural planning team
- Development and execution of a coordinated annual work program with clear and measurable objectives
- Ongoing performance measurement to evaluate the success of the Initiative.

There are no new positions associated with the Rural Services Initiative and the costs to implement the program will be absorbed by those departments currently providing services in the rural areas: the Departments of Community and Human Services, Development and Environmental Services, Executive Services, and Public Health Seattle and King County, and the Parks and Recreation, Road Services and Water and Land Resources Divisions.

Performance Measures

For several years I have transmitted to the County Council, along with the proposed budget, the *Executive Performance Measurement Initiative* report. Last year for the first time I presented the performance measures used by Executive agencies to assess how efficiently and effectively we deliver services to the public in a new and different format: the *King County AIMs High: Annual Indicators and Measures* report. That new report was designed to be an ongoing progress report and a high level snapshot of departments' activities and measures.

Today I am pleased to transmit the 2008 *King County AIMs High: Annual Indicators and Measures*. This report provides strategic goals for and performance measurement information about King County Executive branch departments and offices.

I am very proud that last year's report earned us a prestigious *Certificate of Excellence in Service Efforts and Accomplishments Reporting* from the national Association of Government Accountants. The certificate process is designed to improve accountability and transparency in

government; which are important goals that I strongly believe improve government services and sustain public trust.

In an effort to make our performance information even more available to the public, this year we have created a companion website at <http://www.metrokc.gov/aimshigh/index.asp>. Like the report, the website presents information about the county's social, economic and environmental conditions, as well as related performance measures for county services.

Thanks in part to a grant from the National Center for Civic Innovation, we will initiate a public engagement process in 2008 to obtain feedback from the public about this report and related website.

I continue to support the direction the county is taking by promoting performance measurement in all branches of government through the Council Auditor's Performance Measure Work Group and the performance efforts being undertaken by separately elected officials. I am proud of all that we have accomplished to date, as we continue to advance the transparency and accountability of King County government. Working together with the Council Auditor we can make our performance measurement program a model for the nation.

Animal Control

The recent release of the "King County Animal Care and Control Citizens' Advisory Committee Special Report" raises issues related to how King County addresses animal care and control issues. While the report raises important points, I am pleased to say that many of these issues had already been recognized and the 2008 Executive Proposed Budget starts us on a path to address some of them.

The 2008 Executive Proposed Budget includes the following proposals for increased funding for animal control programs:

- \$150,000 for Animal Care and Control to provide additional resources which include extra help for shelter support during peak seasonal demand, increased funding for medications to prevent and treat disease among shelter animals, and for pet food. Also included are resources to support an outreach campaign to promote a zero tolerance policy for unlicensed pets.
- \$206,772 for Animal Control Enhanced Services to provide funds for staffing to provide additional services to municipalities that contract with the county.
- \$61,002 for Eastside Shelter Service Model Reprioritization to fund policy directives, narrow the service platform, and increase the quality of care by consolidating animal shelters. This is achieved through the closing of the Crossroads Shelter facility, while ensuring a continuation of services for Eastside residents through a public/private partnership with the local Seattle-King County Humane Society. Resources are redeployed to the Kent shelter, including a new Animal Care and Control Officer, along with the existing officer from the Crossroads Shelter to facilitate a healthy shelter environment aimed at increasing the percentage of adoptions of animals.

- \$500,000 in capital funding is provided from the Major Maintenance Reserve Fund to begin improvements at the Kent facility to address the most pressing needs identified by Records, Elections and Licensing Services and the King County Animal Care and Control Advisory Committee.
- \$180,614 is budgeted for an evaluation of long-term solutions for animal control facility needs. This effort will be informed by the outcome of the ongoing operational master planning currently underway.

Given the outlook for CX funding beyond 2008, longer term needs for increases in funding for animal control purposes must be weighed against the competing needs of other services, such as public safety and criminal justice.

Elections and Implementation of Vote By Mail

In accordance with county policy, the 2008 Executive Proposed Budget includes funding to implement Vote By Mail (VBM) in King County in 2008. Included are:

- \$.6 million to fund continuation of the VBM/Systems Implementation Team, including term limited positions to implement systems and processes required for the county to conduct elections entirely by mail.
- \$.6 million for VBM Operational Budget Impact. This program is additive to a \$2.6 million budget addition for the Presidential/Gubernatorial elections scheduled for 2008 and funds changes that will take place in Elections with the move to VBM. These changes include reductions in polling place rent, poll worker wages, and polling place equipment and supply distribution. Increases are for the cost of regional voting centers, the printing of a ballot for every registered voter rather than the anticipated number of voters for an election, the increased costs of preparing ballots for mail, and postage costs.
- Finally, the budget includes funding capacity to acquire the elections facility that is currently being remodeled for our future use as a consolidated elections facility.

Annexations and Regional and Local Service Allocation

We are now in the fourth year of the Annexation Initiative begun in 2004. 2007 was a year of significant progress, including successful annexation elections in two areas adjacent to the City of Auburn. Annexation of additional Potential Annexation Areas (PAAs) identified at the beginning of the initiative are expected in 2008. At the general election in November, the Benson Hill communities will decide whether to annex to the City of Renton. If successful, the Renton and Auburn annexations will transition nearly 32,000 urban unincorporated residents to city status in early 2008.

The passage by the Washington State Legislature of Substitute Senate Bill 6686 which provides a sales tax credit to cities annexing areas with populations above a threshold number has motivated some jurisdictions to begin serious negotiations with the county about the possibility of annexation. This legislation substantially improves the economics of annexation for many King County cities, providing a state sales tax credit for annexations, with the incentive based on whether 10,000 people or 20,000 people are annexed. We anticipate that the cities of Kirkland and Kent will make decisions early in 2008 regarding moving forward with annexation elections.

With the potential for significant CX deficits beginning in 2009, the Annexation Initiative is just as important now as it was when it began in 2004. Work done by the Office of Management and Budget (OMB) indicates that urban unincorporated local service expenditures in 2008 are estimated at nearly \$46.7 million, supporting local revenues are estimated at only \$25.6 million. The resulting budget gap is \$21.1 million. Success in achieving annexations of the major PAAs and realizing the cost savings identified would have a significant impact on the out year CX deficits. Out year projections continue to show a cyclical deficit between the county's major CX revenue sources and the increasing cost of our current service levels. To realize the financial benefits for the General Fund, we must be diligent and focused in making budget reductions when local service responsibilities are decreased.

While budgetary challenges require the county to explore near term opportunities to serve urban areas, I remain committed to promoting annexation of unincorporated areas to cities. The annexation of North Highline, West Hill and East Federal Way will continue to be the top priority of the Annexation Initiative based on the significant financial savings associated with transitioning local service responsibility in these areas to cities.

Fees and Charges

Part of being fiscally prudent is to raise fees and charges only when necessary and only when improvements in the efficiency of operations cannot be improved to obviate the need for increased fees. While the 2008 budget holds most fees and charges for services steady, certain fees and charges do need to be raised to generate the resources needed to continue to operate county programs.

I recommend increases to a select group of county fees and charges. These increases are recommended only for areas where an increase is required to enable the county to carry out and sustain programs. The fee increases and accompanying ordinances cover a number of revisions to existing county service fees, including a proposed Transit fare increase as discussed above. A brief description of the other proposed fee changes is discussed below in the Fee Ordinances section.

While all of these proposed fee changes are important to the operations of King County, the most critical is the proposed increase in Transit fares. As discussed above, Transit fares were last increased in 2001. During that period, the costs of providing transit service have risen substantially. For example, from the first week in July 2001 to the first week in July 2007, Metro's fuel costs rose from 75 cents per gallon to \$2.15 per gallon, nearly tripling. While this is certainly among the most dramatic increase in costs, employee costs have also risen substantially in that same period.

Financial Policies

To meet the continuing challenge of balancing the budget without resorting to the kinds of painful actions we took in the 2002 through 2005 budgets, we must continue on the path of prudent financial management practices we have followed in the past. To that end, in late 2005 I submitted draft legislation to the Metropolitan King County Council which would codify the policies that lie at the heart of our commitment to prudent financial management. The legislation

proposed to codify those policies which cover the county's CX undesignated fund balance policy, its CX debt service policy, and its Sales Tax Reserve policy. These policies are neither new nor should they be controversial. They support and reaffirm the County Council priority contained in the draft *Priorities For People: to Advance sound financial policies and prudently manage the public's money.*

King County has followed these policies for many years and they have served us well, enabling the county to maintain our strong bond ratings, even during the years when the county faced significant revenue shortfalls. I once again urge the King County Council to hold fast to these sound fiscal practices and to carefully consider and adopt the legislation which I have previously submitted. Adoption of these policies will send a clear message to our citizens, our stakeholders, and the financial community that King County is serious in preserving our strong credit rating and living within our means.

Public Health and the Continuing Public Health Funding Crisis

For the past several years, no other county agency has felt the strain of the changing demographics of King County as has the Public Health Department. As the provider of healthcare to an ever increasing population of uninsured patients, Public Health faces the twin dilemmas of changes in Medicaid reimbursement policy that have resulted in a revenue decrease, and the increasing demand for services by clients unable to pay for the services. Since 2005 King County mitigated the impact of these pressures by increasing the use of county discretionary funding to continue services.

Over the period 2004 through 2007, the commitment by the county to public health has been demonstrated by the fact that the county's CX contribution to Public Health has grown from \$12.4 million to \$25 million. The 2008 Executive Proposed Budget I send to you today further increases CX funding to Public Health from a 2007 Adopted Budget plus supplemental appropriations level of \$25 million to \$27.1 million – an unsustainable increase of 8.4 percent. Factoring in both CX transfers and allocations from the Children and Family Set-Aside raises the total transfers to Public Health from a 2007 level of \$29.2 million to \$31.4 million – again an unsustainable increase of 7.5 percent.

In 2003, Public Health had a budget of \$186.5 million dollars to which the county contributed \$15.3 million. By 2008, the Executive Proposed Budget for the department has increased slightly to \$192.4 million while the county's CX contribution has grown 105 percent to \$31.4 million.

To respond to these challenges over the past two years Public Health and its stakeholders have engaged in the Public Health Operational Master Plan (PHOMP) process focused on developing a sustainable operational and financing model for the provision of essential public health services in King County for the foreseeable future. That completed plan has now been approved by both the King County Board of Health and the King County Council. This budget begins implementing these recommendations.

Public Health will see no reduction in services at the department's clinical service locations in 2008. However, the department continues to face financial challenges and will face difficult

decisions in the future unless new revenue sources are identified. To assist with these difficult decisions, the department is working to institute the long and short term goals outlined in the PHOMP. By investing in institutional infrastructure and improving planning and evaluation resources within the department, the department will be better able to allocate its resources to maximize the health of the residents of King County.

The 2008 Public Health budget is based on principles contained in the PHOMP:

- A new Provision Assurance Program will be working with the community of core safety net providers and with experts in the field to determine how best to meet the demands for services from uninsured and underinsured individuals in King County. The goal of this program is to assist in determining how the department can best participate in meeting the uninsured and underinsured citizens' clinical service needs.
- The new Assessment, Policy, Planning and Evaluation Program will address critical capacities and capabilities that the PHOMP found must be present in the department. This program will provide leadership and coordination on core public health functions by developing, strengthening and coordinating a more sophisticated strategic approach to policy development across the department.
- The External Relations Program will enhance the department's ability to interact with the community of providers through increased focus on policy advocacy and to affect how it is impacted by state and federal government by increasing community partnerships and improving focus on legislative activity across all levels of government.

With the tools in the PHOMP, we have begun to tackle the difficult issue of long term sustainable public health programs in King County. In the longer term this will not be enough. The county cannot sustain the forecasted growth in unreimbursed costs for the services it currently provides. While the state provided limited public health funding in adopting its 2007-2009 biennium budget, we must join with other counties and continue to go to Olympia to ensure the state addresses the statewide public health funding crisis. If the legislature fails to act to alleviate the crisis the county will once again be forced to face the very real prospect of closing some or all of our clinics.

The Transmittal Package

In addition to the 2008 Executive Proposed Budget Ordinance, this transmittal package includes the following separate legislative components and reports that have been incorporated in the 2008 Executive Proposed Budget transmittal package.

Fee Ordinances

Included in the 2008 Executive Proposed Budget are the following ordinances for fee increases. These ordinances are in addition to the proposed Transit fare increase.

- Noxious Weed Control Program – The ordinance revises the King County noxious weed control program assessments and confirms the exception for federally and tribally owned lands.

- Airport – The ordinance increases fees for tie down monthly rental rates and landing fees paid by aircraft operators of revenue generating flights and non-revenue generating flights not based at King County International Airport.
- Development and Environmental Services – The ordinance implements the fee adjustments resulting from the P&L lawsuit settlement. The ordinance implements a \$4.90 reduction in the hourly rate, extends the reduced rate for certain rural area fees, increases several minor customer service fees that allow the department to recover its costs, and provides a general clean up of language in Title 27.
- Public Health – This ordinance adjusts fees for autopsy and death investigation reports and death certificate issued by the Medical Examiner,
- Public Health – This ordinance establishes a Cremation Permit Fee to fund a new program implementing a cremation permitting process. This permitting process requires funeral homes to procure a cremation permit prior to cremating remains. This requirement prevents the cremation of remains prior to the Medical Examiner having an opportunity to determine whether further Medical Examiner's Office involvement is required.
- Facilities Management Division – This ordinance adjusts the parking rates for employee reserved, daily and after-hours parking at county operated automotive parking facilities.
- Mental Illness and Drug Dependency Treatment One Tenth of One Percent Sales Tax - This ordinance and the related ordinances creating the Mental Illness and Drug Dependency Fund are included to fund the programs in the 2008 Executive Proposed Budget to fund the Mental Illness and Drug Dependency Action Plan.
- Executive Services – This ordinance adjusts certain fees for taxicabs and for-hire vehicles.
- Executive Services – This ordinance adjusts certain animal licensing fees and establishes a new zero tolerance penalty for unlicensed pets.

Other

As required by King County Code 2.16.0757, I am submitting the *2008 Proposed Technology Business Plan*. This provides the County Council with the appropriate details and context for your review of the proposed budget as it relates to information technology projects. I propose appropriation requests totaling \$23.1 million, including \$10.2 million proposed to be added to the existing budgets of 15 active projects, \$5.7 million proposed for 14 new projects, and \$7.2 million for 21 equipment replacement projects.

The new information technology investments mainly represent work to stabilize our technology environment and set the stage for collaboration across agencies. These investments will position the county for the major efforts on the horizon related to supporting county services through the strategic implementation of technology. A final report will be published following County Council adoption of the 2008 annual budget as a record of the funded information technology projects that will be monitored by technology governance and whose progress and outcome will be reported each year in the Annual Technology Report.

Sent under separate cover, but transmitted at the same time as the budget, are the following:

- An ordinance to authorize a cost of living adjustment for non-represented county positions for regular, term limited and temporary employees. The proposed COLA is comparable to the standard county union labor agreement for 2008. Since the actual COLA rate was not

known at the time of the preparation of the budget, we are transmitting placeholder documents that will be updated with the final COLA rate for 2007 and transmitted to council on or about October 22, 2007.

- Acting as the Board of Supervisors, a resolution adopting the King County Flood Control Zone District (FCZD) budget and work plan. This resolution would implement the recommendations made by the FCZD Advisory Committee, authorizing the work program to begin the highest priority projects in 2008 and establishing a property tax levy for the FCZD for collection in 2008 of 10 cents per \$1,000 of assessed value.
- An ordinance proposing an amendment to K.C.C. chapter 4.08 to put into place an accounting structure for the funds that will be generated by the Parks Expansion Levy approved by voters in August 2007. The ordinance establishes a new Parks Capital Fund to facilitate the appropriation of King County regional trail and open space projects supported by the levy.
- An ordinance to establish two new King County funds – the King County Flood Control Zone District Operating Fund and the King County Flood Control Zone District Capital Fund. These funds will establish the necessary accounting structure to enable the county to record expenditures and revenues for work done for the FCZD. Both funds are designated as Tier 1 funds and will be managed by the Department of Natural Resources and Parks.

I ask the County Council to give my 2008 proposed budget your careful consideration and join with me in continuing to move King County forward.

I certify that funds are available.

Sincerely,



Ron Sims
King County Executive

Enclosures

cc: King County Councilmembers
 ATTN: Ross Baker, Chief of Staff
 Nancy Glaser, Interim Policy Staff Director
 William Nogle, ABRAC Budget Manager
 Rebecha Cusack, Senior Budget Advisor
 Anne Noris, Clerk of the Council
Elected Officials
Department Directors
Bob Cowan, Director, Office of Management and Budget
Debora Gay, Deputy Director, Office of Management and Budget

